

**NAFTA'S INTEGRATION OF TRADE & ENVIRONMENT:  
A U.S. PERSPECTIVE ON THE RELEVANCE TO THE FTAA**

**Remarks of Ambassador Richard Fisher  
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Thank you Dan (Esty) for the introduction and for inviting me here this evening. I am glad to have this opportunity to discuss the success of the North American Free Trade Agreement, the NAFTA, as well as the North America Agreement on Environmental Cooperation, the NAAEC (which unfortunately lacks a snappy acronym, so normally we just call it the environmental side agreement).

Dan invited me to answer a series of questions – what is our overall assessment of the NAFTA, what is our view of the balance NAFTA struck between trade and the environment, what could have been done better, and what lessons have been learned for the FTAA process? I will take a stab at answering all those questions this evening. At a minimum, my hope is to stimulate your thinking, even at the risk of raising more questions than answers.

**THE ADMINISTRATION'S ENVIRONMENTAL COMMITMENT**

First, let me place our environmental objectives in proper context. The Administration believes very deeply that a strong economy and a clean environment go hand in hand.

Our economy is strong. These past seven years, we have certainly proven that greater trade leads to greater economic prosperity: our economy is booming, with nearly 21 million new jobs. The opening of world markets has helped spark a 56% expansion of American goods and services exports since 1992, to a record total of \$960.3 billion last year. Together with – and inseparable from – domestic policies including fiscal discipline, deregulation, and investment in education and job training, as well as private sector adjustment to the new economic paradigm of the Information Age, the opening of world markets has contributed to a remarkable record. We have seen \$2.1 trillion in real economic growth, during the longest economic expansion in American history; a \$400 billion expansion in our manufacturing industry; real wages for non-supervisory workers up 6.5%; and broadly shared benefits, with poverty rates at the lowest levels since 1979, and unemployment touching 4% in January, with record lows for women, African-Americans and Hispanics.

Can one say that international trade contributed to this record? Absolutely. I mentioned that our unemployment rate has fallen to its lowest level since 1970, when we last had 4% unemployment. In 1970, trade as a fraction of GDP – the sum of exports and imports of goods and services – was 13%. Today it is 31%. Then, at the height of the hot war in Vietnam and the Cold War with the Soviet Union, defense spending accounted for 8% of GDP. Today it accounts

for 3%. We have accomplished since 1970 a shift from creating employment and structuring our economy through conducting and preparing for war to an economy driven by the more peaceful challenge of competing internationally on the economic front.

The NAFTA is obviously not the sole source of our current prosperity. But it has contributed to this economic boom by creating fairer and more open markets for Americans. During NAFTA's first six years, U.S. goods exports to our NAFTA partners, combined, increased by \$111 billion, or 78 percent, to more than \$253 billion. Today, Canada is our largest trading partner (in terms of two-way trade flows), and the success of the NAFTA has been a significant factor in stimulating Mexico to become our second-largest trading partner, surpassing Japan. The easiest way to summarize the weight of these two countries on the "sell side" of our trade equation is this: a quarter of everything the U.S. sells abroad goes to Canada and almost 15% goes south to Mexico; NAFTA accounts for 40% of U.S. exports.

Of course, the question is: do higher volumes of trade help or hinder environmental improvement? It is noteworthy that our air and water are cleaner and healthier than they have been in decades. The White House two weeks ago released a report from the Council on Environmental Quality highlighting dozens of Administration initiatives over the past seven years to improve public health, restore endangered wildlife, promote "green" business, protect oceans and coasts, strengthen environmental enforcement, and combat global warming. Results include improved air and water quality, accelerated toxic cleanups, dramatic reductions in toxic releases, and increased protections for millions of acres across America. Since 1993, the report shows, the number of Americans breathing clean air has grown by 44 million, the number receiving clean drinking water has grown by nearly 34 million, the pace of Superfund cleanups has more than tripled, environmental technology exports have more than doubled, and spending on key environmental priorities has risen dramatically.

Success stories from around the country show how the Administration's initiatives are helping citizens and communities improve their drinking water, preserve open space, restore native salmon, conserve energy, redevelop brownfields, protect children from lead poisoning, and reduce other toxic threats.

The U.S. government also is working to promote sustainable development overseas. Environmental issues form a cornerstone of United States foreign policy. Investments on behalf of the environment, at home and abroad, bring significant payoffs to our national economy, health, domestic environment, and quality of life. In pursuing this mandate, the United States has developed a strong record of international engagement on environmental issues, and not just within the NAFTA. The United States and Canada forged the International Joint Commission to resolve disputes over waters from the Gulf of Maine to the Gulf of Alaska. More recently, we have worked through our International Boundary Waters Commission with Mexico to fight pollution and provide for the fair allocation and the use of the waters we share.

The President and Vice President have outlined a strategy to ensure that U.S. efforts to

expand trade and promote development reflect a strong commitment to achieving environmental protection worldwide. Last year, the President signed an Executive Order requiring careful assessment and written review of the potential environmental impacts of major trade agreements so that environmental considerations can guide the development of U.S. positions in trade negotiations. The President also issued a White House Policy Declaration on Environment and Trade, outlining a set of principles to guide U.S. negotiators and to ensure that our work is supportive of sustainable development, including environmental protection at home and abroad.

## **THE NAFTA EXPERIENCE**

In many respects, NAFTA was a bold experiment. It was the first major trade negotiation where environmental issues played a central role, both in terms of challenges and opportunities, throughout the negotiations. Concern about the possible environmental impacts of the agreement, particularly in the border areas, led to thinking outside the box. How can governments deal with potential problems and, more significantly, make a trade agreement a vehicle for positive change in environmental protection? In the NAFTA, trade negotiators worked with our environmental agencies to an unprecedented degree. For the first time, we conducted an environmental review of a trade agreement while it was being negotiated, and used its conclusions to create a better agreement. I would also be remiss if I neglected to talk about the influential role that NGOs and other interested stakeholders played in the negotiations. Though members of environmental and other NGOs may hold differing views on the results of the negotiations, their participation absolutely made a difference.

Because of these efforts, the NAFTA, without a doubt, has helped us improve the environment, the quality of life in North America, and advance our basic values – clean air, clean water, public health and protection for our natural heritage; safety, dignity and elementary rights for working people; a common commitment to the rule of law and more accountable governance. NAFTA has enabled us to improve our working relationship with Mexico and Canada in all of these areas, as a result of the institutions created as well as its legal text.

## **NAFTA Text**

A significant, and often overlooked result of the NAFTA environmental negotiations is the main text of the NAFTA itself. In several sections, the NAFTA incorporates strong principles relating to environmental protection. For example, NAFTA Article 712 explicitly recognizes the right of Parties to adopt, maintain or apply sanitary or phytosanitary measures for the protection of human, animal or plant life or health, including measures more stringent than an international standard. NAFTA Article 904 recognizes similar rights for standards-related measures. NAFTA Article 1114 recognizes that the Parties should not waive or derogate domestic health, safety or environmental measures to encourage investments in their territories, and provides a right to request consultations should a Party consider another Party to have offered such encouragement. And so on...

## **The NAFTA Side Agreements**

When the Administration turned its attention to negotiating the NAFTA side agreements, we sought to achieve a delicate balance. On the one hand, we wanted to put in place mechanisms that would help us restore and protect the environment. At the same time, we were mindful that the United States would have to live with anything that we asked Canada and Mexico to accept. The supplemental agreements struck that balance. They provide needed additional assurance that our NAFTA partners will enforce their environmental laws, by committing the countries to strengthen their own administrative and judicial procedures. They also create a mechanism through which one country can challenge a pattern of non-enforcement by another country. However, U.S. sovereignty is fully protected, since no supranational body was set up that could usurp the right of each country to set its own laws, or could replace federal, state, tribal or local authorities in the enforcement of our laws.

And so, we established the Commission on Environmental Cooperation (CEC). I know Janine Ferretti, the CEC's Executive Director, is scheduled to speak to you tomorrow afternoon, so I will simply mention some highlights. Thanks to the CEC, we have reached agreement with our neighbors on conservation of North American birds and created a North American Pollutant Release Inventory. The CEC has also helped us devise regional action plans for the phase-out or sound management of toxic substances, including DDT, chlordane, PCBs and mercury, and most recently released a proposed plan to reduce exposure to the persistent organic pollutant lindane. Cooperative work is also underway on monitoring and environmental enforcement. Our Environmental Protection Agency has trained hundreds of Mexican environmental officials in the past six years, and Mexico has substantially increased its budget resources and inspections related to environmental law compliance since the NAFTA passed.

We also established two other NAFTA-related institutions to assist in the development of projects in border towns to reduce water pollution and improve health along the U.S.-Mexico border. The Border Environment Cooperation Commission (BECC) and the North American Development Bank (NADBank) are working with more than 100 communities throughout the Mexico-U.S. border region to address their environmental infrastructure needs. Both institutions have allocated millions of dollars to aid in the development of over a hundred environmental infrastructure projects related to water, sewage, and municipal waste in communities on both sides of the U.S.-Mexico border, benefitting almost 6.5 million border residents. These projects will represent a total investment of \$668 million in our environment. To choose just one example to illustrate what these projects represent, close to my home state, Juarez broke ground recently for its first waste-water treatment plant. That is going to mean better health and cleaner water for a million people in Juarez, another million in El Paso, and for towns and villages all along the upper Rio Grande.

The NAFTA implementation work program is also helping our countries reduce the costs of environmental protection. The United States and Canada, for example, have established protocols for the coordinated review of certain new pesticides, such as those that are designed to

be safer replacements for older, more risky pesticides. By sharing data review responsibilities, joint reviews lower regulatory costs, expedite registration of safer pest-control tools, increase the efficiency of the registration process, and provide more equal access to pest management tools by farmers across North America.

In environmental improvement, as with the reduction of barriers to trade in goods and services, NAFTA is incomplete – it remains a work in progress. Yet, as the *Dallas Morning News* pointed out in its editorial on January 4, 1999, NAFTA is “the ‘greenest’ commercial pact ever, and the U.S. Canadian and Mexican environments are better off with it than without.” NAFTA has represented a significant step forward in the environmental aspects of trade. In each area we have challenges that are not yet addressed, but the NAFTA and its side agreements put us in a better position to deal with them.

### **LESSONS LEARNED FOR THE FTAA/ALCA**

Dan also requested I spend some time dealing with the lessons that the NAFTA might provide for the FTAA process. In that vein, I am reminded of the novelist Douglas Adams, author of the *Hitchhikers Guide to the Galaxy*, who once commented:

“Human beings, who are almost unique in having the ability to learn from the experience of others, are also remarkable for their apparent disinclination to do so.”

In the FTAA, we are trying to fall into Adams’ former category, rather than the latter. The FTAA is an extraordinarily ambitious, complicated initiative. It brings together 34 democratic nations – from continental giants like the U.S. and Brazil, to some of the smallest countries in the world; from technological leaders to least developed nations. It addresses the most complex issues: the opening of services markets, the development of electronic commerce, the response to the growing interest in trade and trade policy by civil society, and more. But its potential rewards are commensurately great.

By 2005, we aim to create a single trade zone including nearly 700 million people and much of the world – from Recife to Hawaii and from the Arctic Ocean to Tierra del Fuego. It will deepen trade relationships that already absorb more than half of all the goods exported from Brazil and roughly 46% of goods exported from the United States. It will strengthen our ability to achieve shared goals in the broader trading system. And ultimately, it will create a lasting, prosperous, peaceful and democratic hemispheric community, one that is better positioned and more inclined to address our common environmental responsibilities.

### **PROGRESS THUS FAR**

This work is well underway. Precisely two years ago, at the Summit of the Americas in Santiago, the hemispheric leaders directed us to begin formal negotiations toward the

FTAA/ALCA. Since then:

- We have drafted outlines of each area the agreement will cover;
- We have requested and received formal advice from civil society throughout the hemisphere through the ALCA's Committee on Civil Society, and just two weeks ago we issued a new invitation for public comment on the upcoming phase of our work;
- And last November in Toronto, we committed ourselves to begin drafting the actual text of the agreement.

That marks a fundamental decision, the moment at which we stepped off the bank and began to cross the river. The countries of this hemisphere have discussed the free trade zone concept on innumerable occasions in the past. Any student of the Western Hemisphere's history, can recite the free trade proposals of Simon Bolivar, James G. Blaine and Benito Juarez. When I met with President Cardoso in February, he told me that even before Brazil's independence, Thomas Jefferson discussed the concept with the Brazilian/Portuguese priest, Father Serra.

As we are all aware, none of these earlier initiatives got past the point of discussion. At the Summit of the Americas in Miami in 1994, our leaders took the concept from day-dream to vision. Now it has moved from vision to reality, as for the first time in two hundred years and more, we are sitting down together to get the job done.

### **TRADE & ENVIRONMENT IN THE FTAA**

What are the lessons that we have learned from NAFTA that will aid us in our work on the FTAA? First and foremost, we have learned the importance of taking the environmental implications of the negotiations into account from start to finish. This means not only that we should "do no harm" but also that we should take advantage of positive opportunities to move forward. Environmental reviews are clearly a key component in this effort, and our NAFTA experience provided inspiration for the President's new Executive Order requiring environmental reviews of trade agreements that may have significant environmental effects. In fact, we have already begun to lay the groundwork for an environmental review of the FTAA. An interagency group is developing recommendations on the appropriate methodology for quantitative analysis of the potential environmental effects of free trade. Let me add that a quantitative analysis of the impact of tariff elimination is only one aspect of our environmental review. We will also have to engage in non-quantitative analysis and look at regulatory and legal impacts. Of course, the environmental review is just one tool that we are using to take environmental issues fully into account during the course of the negotiations. We are committed to taking environmental considerations into account throughout the negotiations, and this meeting is a valuable contribution to this process.

We have also brought to the FTAA negotiations the lessons we have learned about the

need to work closely with non-governmental organizations and other interested parties. At the international level, this is reflected in our leadership in creating the Committee on Civil Society and the strong efforts that we have made to give the Committee a meaningful role in the negotiating process. At the national level, we have started by soliciting public comment to help shape our negotiating objectives. We have sought the input of the Trade and Environment Policy Advisory Committee (which Dan co-chairs), and we are committed to maintaining a dialogue with all elements of civil society through various means throughout the negotiations. The lessons of NAFTA are reflected in the deep involvement of our environmental agencies in our negotiations.

Another lesson that we have learned from the NAFTA is that each negotiation is different. For instance, our handling of the environmental aspects in the NAFTA was strongly shaped by the common borders we share with our NAFTA partners, as well as certain other factors unique to those countries. This is not to suggest that we can ignore environmental issues in the FTAA just because we do not share common borders with most of the countries in the Western Hemisphere. Rather, my point is we need to think about environmental issues in terms of the specific context of each negotiation. Likewise, we have learned that it is much easier to make progress in improving the environment when the economies involved are on the right economic path, and thus improving productivity and raising standards of living.

We have also learned that our trading partners must be made full partners in our vision for handling the environmental aspects of trade. Much is made about the economic might of the United States, with the sub-text being that we should be able to get whatever we want. It's not that easy. And even if we do get what we want in an agreement, positive results depend on the degree to which our trading partners see environmental protection as being squarely in their own national interest. This remains a significant challenge within the FTAA. And so we need the help of environmentalists in the United States to build stronger constituencies for environmental protection in our hemisphere.

## **CONCLUSION**

Let me end by noting the NAFTA is a dynamic agreement; like the FTAA, it is a work in progress. NAFTA will not be completely implemented until 2008. We are learning from our experience, using it to improve the agreement as it goes into force. But through the cooperative framework we have built through the NAFTA, we have solved or undertaken the challenge of resolving many environmental problems. Taken as a whole, we can be very pleased with the record of NAFTA six years after its passage.

Back in 1994, we predicted that this agreement would mean growth; better and more jobs; rising standards of living; and a higher quality of life. Today, we in the United States can say that the agreement is keeping these promises. We have more jobs, higher wages, and a stronger economy than we did six years ago. Our governments are working more closely and accomplishing more than ever before on environmental protection, workplace safety, and all the

other issues that affect the daily lives of our citizens. And – most important of all – our prospects are better than ever before of passing on to our children, stronger than ever, the invaluable legacy of peace, cooperation and progress on the North American continent that we have inherited from past generations.

The United States is providing the leadership to promote global peace and prosperity. We must also lead in safeguarding the global environment on which that prosperity and peace ultimately depend, whether it is in the FTAA or any other international negotiation. Almost a hundred years ago, as our nation was laying its plans for a new century, Theodore Roosevelt remarked:

“Modern life is both complex and intense, and the tremendous changes wrought by the extraordinary industrial development of the last half century are felt in every fiber of our social and political being. ... The conditions for our marvelous material well-being, which have developed to a very high degree our energy, self-reliance, and individual initiative, have also brought the care and anxiety inseparable from the accumulation of great wealth in industrial centers.”

Modern life is still, today, complex and intense, and we still face the enviable problem of having to resolve the stresses placed on our environment resulting from the extraordinary industrial and technological developments of the last half-century. I am optimistic that this conference will assist us in identifying the best options available for us to do so.

Thank you very much.